



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
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DAVID E. JANSSEN
Chief Administrative Officer

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Fifth District

November 17, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen
Chief Administrative Officer

DEPARTMENT OF HEALTH SERVICES HOSPITAL IMPROVEMENT FINANCING PLAN

On January 23, 2006, the Chief Administrative Office (CAO) provided a proposed financing plan for \$419.4 million in high-priority hospital-related capital projects (Financing Plan). The Financing Plan utilized a combination of short and long-term financing to defer the commencement of new long-term debt service obligations until additional budgetary resources became available to the Department of Health Services (Department) in 2011-12.

The ability to manage the timing of new debt service payments was made possible by using the proceeds generated from the securitization of a portion of future tobacco settlement payments that the County expected to receive to redeem \$275.0 million in commercial paper that was outstanding for the LAC+USC Replacement Project. This redemption replenished the capacity of the County's commercial paper program, making it available for the Department's other priority projects and allowing the County to better manage structure and timing of the long-term debt model.

Increasing Cost Pressures

Subsequent to the January 2006 report, the CAO and Department of Public Works have revised the cost estimates on the hospital projects to be funded under the Financing Plan and determined that the aggregate project cost has risen from \$419.4 million to \$766.5 million. The overall cost increase of \$347.1 million reflects:

- an increase of \$207.1 million for the Harbor/UCLA Surgery Emergency Room Replacement Project due to the increased scope requirements and the dramatic escalation in construction costs;
- an increase of \$75.8 million in aggregate cost for the SB1953 Seismic Retrofit, High Desert Multi-Service Ambulatory Care Center, and Olive View Emergency Room/Tuberculosis Unit projects; and
- an initial cost estimate of \$64.2 million for a potential outpatient building that would consolidate outpatient clinic activities at the Rancho Los Amigos National Rehabilitation Center (RLANRC).

The potential outpatient building at RLANRC is under conceptual development and has yet to be presented to your Board for consideration. It was included in the current review of project cost estimates to determine its potential impact on the Financing Plan. The increase in cost estimates for each project is summarized below.

Hospital	Project	Esitmated Project Cost (Jan 23, 2006)	Current Estimated Project Cost
Harbor/UCLA	Surgery/Emergency Room Project	\$137.0 million	\$344.1 million
High Desert	Multipurpose Ambulatory Car Center Conversion	74.0	98.8
Olive View	Emergency Room/Tuberculosis Unit	33.8	49.4
Harbor/UCLA	SB1953 Seismic Retrofit	41.0	50.9
MLK	SB1953 Seismic Retrofit	68.1	76.9
Olive View	SB1953 Seismic Retrofit	23.5	27.4
Rancho Los Amigos	SB1953 Seismic Retrofit (N. Campus Consolidation)	42.0	54.8
Rancho Los Amigos	Outpatient Building Consolidation	n/a	64.2
Total		\$ 419.4 million	\$766.5 million

Impact of Project Cost Increases on Hospital Improvement Financing Plan

The basis of the Financing Plan presented to your Board in January 2006 was the significant decrease in DHS' existing debt service obligations from \$119.8 million in 2010-11 to \$18.4 million in 2011-12. The decrease of \$101.4 million in annual payment requirements is primarily due to the final maturity of the County's Pension Obligation Bonds in 2010-11 and is net of any obligations that have been allocated to the Public Health Department.

In January 2006, the Financing Plan projected that new annual debt service payments would rise to \$29.1 million in 2014-15. Other annual financing costs (including the future tobacco settlement payments that were relinquished in the securitization transaction) were expected to rise to \$30.5 million in that same year. When combined with existing debt service payments of \$8.8 million in 2013-14, the aggregate financing cost to the Department would total \$68.4 million. The January 2006 Financing Plan indicated that

Each Supervisor
November 17, 2006
Page 3

these financing costs could be funded from the \$101.4 million in budgetary savings the Department would realize from the maturity of the Pension Obligation Bonds and other debt obligations, with the remaining \$33.0 million in annual budgetary savings available for the Department's other purposes.

The subsequent increase in hospital project cost estimates to \$766.5 million is expected to increase new annual debt service payments from \$29.1 million to \$45.2 million in 2014-15. The CAO and Department concur that:

- the increase in annual debt service costs of \$16.1 million can be funded by the remaining \$33.0 million in budgetary savings derived from the maturity of the Pension Obligation Bonds and other debt obligations; and
- the Financing Plan remains a viable method of funding the Department's long-term capital needs.

A comparison of the annual debt service and other financing costs that were projected in the January 2006 Financing Plan and the revised debt service projection is provided in Exhibit I. Summaries of the January 2006 annual debt service projections for each hospital project and the revised projections are provided in Exhibits II and III, respectively.

I am available to discuss this matter with you at your convenience, or your staff may contact Jan Takata at (213) 974-1360.

DEJ:JSE
DJT:z

c: Executive Officer, Board of Supervisors
County Counsel
Department of Public Works
Department of Health Services

Revision to New and Existing Cost to DHS Budget Related to the Capital Plan

Fiscal Year	Projections as of January 23, 2006					Revised Projections (November 2006)				
	New Debt Service and Other Costs					New Debt Service and Other Costs				
	Existing Debt Service*	As of January 23, 2006 Memorandum	Other Financing Costs or (Savings)**	Subtotal New Cost to DHS Budget	Total New and Existing Cost to DHS Budget	Existing Debt Service*	Revised November 2006	Other Financing Costs or (Savings)**	Subtotal New Cost to DHS Budget	Total New and Existing Cost to DHS Budget
2006-07	118,836,121	-	46,553,699	46,553,699	165,389,820	118,836,121	-	46,553,699	46,553,699	165,389,820
2007-08	118,206,973	-	1,416,294	1,416,294	119,623,267	118,206,973	-	1,416,294	1,416,294	119,623,267
2008-09	98,992,787	-	4,286,612	4,286,612	103,279,399	98,992,787	-	4,286,612	4,286,612	103,279,399
2009-10	107,560,348	-	7,466,825	7,466,825	115,027,173	107,560,348	-	7,466,825	7,466,825	115,027,173
2010-11	111,368,459	4,822,637	4,327,529	9,150,166	120,518,625	111,368,459	-	4,327,529	4,327,529	115,695,988
2011-12	9,949,754	19,084,157	29,256,222	48,340,379	58,290,133	9,949,754	9,418,806	29,256,222	38,675,028	48,624,781
2012-13	9,259,222	25,892,875	29,649,553	55,542,428	64,801,650	9,259,222	15,934,806	29,649,553	45,584,359	54,843,580
2013-14	9,258,950	29,081,293	30,047,998	59,129,291	68,388,241	9,258,950	23,497,806	30,047,998	53,545,804	62,804,754
2014-15	8,757,192	29,081,293	30,451,621	59,532,914	68,290,106	8,757,192	45,157,806	30,451,621	75,609,427	84,366,619
2015-16	7,824,482	29,081,293	30,860,492	59,941,785	67,786,267	7,824,482	45,157,806	30,860,492	76,018,298	83,842,760
2016-17	3,624,441	29,081,293	31,274,679	60,355,972	63,980,413	3,624,441	45,157,806	31,274,679	76,432,485	80,056,926
2017-18	-	29,081,293	31,694,250	60,775,543	60,775,543	-	45,157,806	31,694,250	76,852,056	76,852,056
2018-19	-	29,081,293	32,119,275	61,200,568	61,200,568	-	45,157,806	32,119,275	77,277,081	16,076,513
2019-20	-	29,081,293	32,549,826	61,631,119	61,631,119	-	45,157,806	32,549,826	77,707,632	16,076,513
2020-21	-	29,081,293	32,985,973	62,067,266	62,067,266	-	45,157,806	32,985,973	78,143,779	16,076,513
2021-22	-	27,491,293	33,427,791	60,919,084	60,919,084	-	45,157,806	33,427,791	78,585,597	17,666,513
2022-23	-	27,491,293	33,875,352	61,366,645	61,366,645	-	45,157,806	33,875,352	79,033,158	17,666,513
2023-24	-	27,491,293	34,328,732	61,820,025	61,820,025	-	45,157,806	34,328,732	79,486,538	17,666,513
2024-25	-	27,491,293	34,788,005	62,279,298	62,279,298	-	45,157,806	34,788,005	79,945,811	17,666,513
2025-26	-	27,491,293	35,680,000	63,171,293	63,171,293	-	45,157,806	35,680,000	80,837,806	17,666,513
2026-27	-	27,491,293	36,163,519	63,654,812	63,654,812	-	45,157,806	36,163,519	81,321,325	17,666,513
2027-28	-	27,491,293	37,758,519	65,249,812	65,249,812	-	45,157,806	37,758,519	82,916,325	17,666,513
2028-29	-	27,491,293	38,266,667	65,757,960	65,757,960	-	45,157,806	38,266,667	83,424,473	17,666,513
2029-30	-	27,491,293	38,781,598	66,272,891	66,272,891	-	45,157,806	38,781,598	83,939,404	17,666,513
2030-31	-	27,491,293	-	27,491,293	27,491,293	-	45,157,806	-	45,157,806	17,666,513
2031-32	-	27,491,293	-	27,491,293	27,491,293	-	45,157,806	-	45,157,806	17,666,513
2032-33	-	27,491,293	-	27,491,293	27,491,293	-	45,157,806	-	45,157,806	17,666,513
2033-34	-	27,491,293	-	27,491,293	27,491,293	-	45,157,806	-	45,157,806	17,666,513
2034-35	-	27,491,293	-	27,491,293	27,491,293	-	45,157,806	-	45,157,806	17,666,513
2035-36	-	12,512,170	-	12,512,170	12,512,170	-	45,157,806	-	45,157,806	32,645,636
2036-37	-	4,700,596	-	4,700,596	4,700,596	-	43,194,000	-	43,194,000	38,493,404
2037-38	-	-	-	-	-	-	43,194,000	-	43,194,000	43,194,000
2038-39	-	-	-	-	-	-	39,582,000	-	39,582,000	39,582,000
2039-40	-	-	-	-	-	-	38,910,000	-	38,910,000	38,910,000
2040-41	-	-	-	-	-	-	24,159,000	-	24,159,000	24,159,000
2041-42	-	-	-	-	-	-	24,159,000	-	24,159,000	24,159,000
2042-43	-	-	-	-	-	-	20,651,000	-	20,651,000	20,651,000
2043-44	-	-	-	-	-	-	13,800,000	-	13,800,000	13,800,000
2044-45	-	-	-	-	-	-	13,800,000	-	13,800,000	13,800,000
Total	603,638,727	684,540,881	699,011,031	1,382,551,912	1,986,190,639	603,638,727	1,298,772,143	699,011,031	1,996,783,174	2,600,421,900

* Existing debt updated from January memo to reflect reduction to pension obligation due to separation of Public Health from DHS
 ** Reflects interest expense on comm. paper draws, cost of transfer from tobacco designation, interest loss due to transfer from tobacco designation and interest revenue from tobacco bond reserve fund

**Department of Health Services
Summary of Projected Debt Service Requirements**

AS OF JANUARY 29, 2006 - PROJECTED NEW DEBT SERVICE (Assuming No Bond Insurance or LAC+USC Replacement Project)												
Fiscal Year	New Hospital Facilities					SB 1953 Seismic Retrofit Projects					Total New Debt Service	
	LAC+USC Rep. Hospital	Harbor/UCLA Surg./ER	High Desert MACC	Olive View ERTB	Harbor/UCLA SB 1953	MILK SB1953	Olive View SB1953	Rancho JPI Consolidation	Subtotal SB 1953			
2006-07	-	-	-	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-	-	-	-
2008-09	-	-	-	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-	-	-	-
2010-11	-	-	1,624,342	751,267	-	-	522,240	1,924,788	2,447,028	-	4,822,637	
2011-12	-	3,194,057	5,045,000	2,333,500	910,977	-	1,622,123	5,978,500	8,511,600	-	19,084,157	
2012-13	-	6,570,828	5,045,000	2,333,500	2,829,574	1,513,350	1,622,123	5,978,500	11,943,547	-	25,892,875	
2013-14	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2014-15	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2015-16	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2016-17	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2017-18	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2018-19	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2019-20	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2020-21	-	6,572,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	29,081,293	
2021-22	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2022-23	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2023-24	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2024-25	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2025-26	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2026-27	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2027-28	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2028-29	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2029-30	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2030-31	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2031-32	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2032-33	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2033-34	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2034-35	-	4,982,000	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	-	27,491,293	
2035-36	-	4,982,000	-	-	2,829,574	4,700,596	-	-	7,550,170	-	12,512,170	
2036-37	-	-	-	-	-	4,700,596	-	-	4,700,596	-	4,700,596	
2037-38	-	-	-	-	-	-	-	-	-	-	-	
2038-39	-	-	-	-	-	-	-	-	-	-	-	
2039-40	-	-	-	-	-	-	-	-	-	-	-	
2040-41	-	-	-	-	-	-	-	-	-	-	-	
Total	-	137,070,885	122,704,342	56,755,267	68,820,753	114,327,654	39,453,192	145,408,788	368,010,387	-	684,540,881	

Department of Health Services
Summary of Projected Debt Service Requirements

Fiscal Year	New Hospital Facilities				SB 1953 Seismic Retrofit Projects				Subtotal SB 1953	Total New Debt Service
	LAC+JSC Hospital	Harbor/UCLA Surg./ER	High Desert MACC	Olive View ER/TV	Harbor/UCLA SB 1953	MLK SB1953	Olive View SB1953	Rancho JPI Consolidation		
2006-07	-	-	-	3,508,000	1,291,000	-	1,963,806	-	-	9,418,806
2007-08	-	-	6,851,000	3,508,000	3,612,000	-	1,963,806	-	-	15,934,806
2008-09	-	-	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	-	1,891,000	23,497,806
2009-10	-	-	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2010-11	-	-	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2011-12	-	-	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2012-13	-	-	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2013-14	-	-	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2014-15	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2015-16	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2016-17	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2017-18	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2018-19	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2019-20	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2020-21	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2021-22	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2022-23	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2023-24	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2024-25	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2025-26	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2026-27	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2027-28	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2028-29	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2029-30	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2030-31	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2031-32	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2032-33	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2033-34	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2034-35	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2035-36	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2036-37	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2037-38	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2038-39	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2039-40	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2040-41	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2041-42	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2042-43	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2043-44	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
2044-45	-	13,800,000	6,851,000	3,508,000	3,612,000	5,672,000	1,963,806	4,456,000	5,295,000	45,157,806
Total	-	427,800,000	215,037,000	108,748,000	95,203,000	147,472,000	49,095,143	115,856,000	139,561,000	1,298,772,143

AS OF NOVEMBER 16, 2006 - PROJECTED NEW DEBT SERVICE (Assuming No Bond Insurance for LAC+JSC Replacement Project)